TORONTO

2011-2020 CAPITAL BUDGET AND PLAN SUMMARY

The City of Toronto's Council Approved 2011 to 2020 Tax and Rate Supported Capital Budget and Plan totals $22.194 billion. The Tax Supported Programs comprises 57% or $12.755 billion over the 10 years with the remaining attributable to the Rate Supported Programs in the amount of $9.439 billion as illustrated in Table 1 below.

Table 1
2011 - 2020 Capital Budget and Plan by Cluster

$ Million	2011 Capital Budget				2012 - 2020				2011 - 2020 Capital Plan and Forecast			
	Gross	Debt / CFC	Target	Over / (Under) Target	Gross	Debt / CFC	Target	Over / (Under) Target	Gross	Debt / CFC	Target	Over / (Under) Target
Citizen Centred Services 'A'	177	69	63	6	1,043	755	691	64	1,220	824	754	70
Citizen Centred Services 'B'	239	184	251	(67)	2,282	2,057	1,995	62	2,521	2,241	2,246	(5)
Internal Services 'C'	164	69	60	9	1,433	597	532	65	1,597	666	592	74
Other City Programs	153	31	63	(32)	613	187	133	54	766	218	196	22
Total City Operations	**733**	**353**	**437**	**(84)**	**5,371**	**3,596**	**3,351**	**245**	**6,104**	**3,949**	**3,788**	**161**
Agencies Excluding TTC	157	94	95	(1)	1,013	672	663	9	1,170	766	758	8
Total Tax Supported Excl. TTC	**890**	**447**	**532**	**(85)**	**6,384**	**4,268**	**4,014**	**254**	**7,274**	**4,715**	**4,546**	**169**
Toronto Transit Commission	1,126	352	567	(215)	4,355	1,719	1,875	(156)	5,481	2,071	2,442	(371)
Total Tax Supported Programs	**2,016**	**799**	**1,099**	**(300)**	**10,739**	**5,987**	**5,889**	**98**	**12,755**	**6,786**	**6,988**	**(202)**
Rate Supported Programs	**693**				**8,775**				**9,439**			
Total	**2,709**	**799**	**1,099**	(300)	**19,514**	**5,987**	**5,889**	**98**	**22,194**	**6,786**	**6,988**	(202)

This report summarizes the City of Toronto's Council Approved Tax Supported 2011 – 2020 Capital Budget and Plan and approval of the 2011 cash flow and future year cash flow commitments for capital projects. Furthermore, the report approves the 2012 - 2020 Capital Plan which forms the basis for the future capital budgets, in accordance with the City's multi-year financial planning and budgeting policy.

The 2011 Capital Budget totals $2.016 billion; and estimates of capital spending for the nine years 2012 – 2020 total $10.739 billion (Table 1). Capital expenditures to maintain and renew the City's substantive infrastructure total $7.755 billion; representing 61% of the total 2011 – 2020 Capital Budget and Plan (Table 3, below). This strategy is geared toward slowing down growth in the City's state of good repair backlog as illustrated in Chart 6 of this report. The state of good repair backlog has stabilized at approximate $1.501 billion in 2020.

While emphasis is placed on maintaining and protecting the City's existing infrastructure and physical assets, the 2011 – 2020 Capital Budget and Plan also invests $5.000 billion over 10 years in strategic and priority service improvement and growth related projects to accommodate increasing service demands and growth.

As illustrated in Table 1, Toronto Transit Commission (TTC) alone accounts for the majority of the expenditures in the 10-year capital-spending plan. This is despite the fact that only a 2011

Capital Budget and associated future year project commitments have been approved for the TTC. Inclusive of the Spadina Subway Extension, the TTC 2011-2020 Capital Budget and Plan is $5.481 billion, representing approximately 43% of the total approved spending in the 2011 – 2020 Capital Budget and Plan; and Transportation Services totals $2.201 billion or 17%. Together, TTC and Transportation Services account for almost three-quarters of the expenditures in the 2011 – 2020 Capital Budget and Plan.

Debt and Capital from Current Contributions (CFC) are the primary funding sources for the 2011 – 2020 Capital Budget and Plan totalling $6.786 billion. The total affordable debt financing over the 10-year period is $4.212 billion as illustrated in Table 2. This debt level is determined based on the City's Policy that limits the ratio of Debt Service Cost to Tax Levy to no more than 15%, on an annual basis. Debt funding for 2011 is $300 million under the debt target of $1.099 billion and the 10-Year Capital Budget and Plan is below the affordable debt and CFC target of $6.988 billion by $202 million.

Table 2
2011 - 2020 Capital Budget and Plan
Debt Target ($ Million)

	Council Approved Debt/CFC	2011	2012	2013	2014	2015	2011 - 2015	2020 Debt / CFC Target
Baseline Debt - Retire / Reissue	260	200	0	120	228	300	848	2,648
New Debt								
TTC	331	567	654	330	209	165	1,925	2,442
City	212	151	276	109	(29)	(123)	384	(878)
Total New Debt	543	718	930	439	180	42	2,309	1,564
Total Affordable Debt	803	918	930	559	408	342	3,157	4,212
Capital from Current (CFC)	165	181	199	219	241	265	1,105	2,776
Total Debt & CFC	968	1,099	1,129	778	649	607	4,262	6,988

Capital from Current (CFC) funding totals $2.778 billion or 21.8% of the total funding for the 2011 – 2020 Capital Budget and Plan. To mitigate reliance on debt as a funding source for the City's Capital Plan, CFC will continue to be increased by 10% annually until 2018 - from $181 million in 2011 to $354 million in 2020. Combined, CFC and Debt funding is $6.786 billion or 53% of the total financing for 2011 – 2020 Tax Supported Capital Budget and Plan.

Council Approved 2011 to 2020 Capital Budget and Plan

The 2011 – 2020 Capital Budget and Plan (Capital Budget and Plan) invests in priority capital projects that ensures delivery of key City services; leverages economic stimulus program funding from the Federal and Provincial governments to renew the City's infrastructure that support City services; and maintains the City's existing infrastructure in a state of good repair. Furthermore, the Capital Budget and Plan invests in transportation and transit; public safety and emergency services; community and recreation services; improves customer service; revitalizes and expands public spaces.

The City of Toronto Act (COTA), sub-section 228 (1) states that, "The City shall in each year prepare and adopt a budget including estimates of all sums required during the year" for the purpose of continuing the business of the City. Similarly, Sections 71-10 and 71-11 of the Financial Control By-law specify: (i) that no expenditure shall be made and no account shall be paid by or on behalf of the City, except with Council approval; and (ii) that no commitment shall be made except where cash flow funding has been provided in the ... capital budget to the satisfaction of the Chief Financial Officer. Therefore, approval of the 2012 – 2020 Capital Plan does not constitute cash flow or spending approval; this is achieved through the approval of the annual capital budget for which funds are appropriated for the fiscal year. The capital budget and plan represents a long-term framework for planning and implementing capital activities, and the basis for developing the annual capital budget.

To provide the infrastructure and capital assets to deliver City services, the 2011 – 2020 Capital Budget and Plan totals $22.194 billion comprised of a Rate Supported Capital Budget and Plan of $9.439 billion and a Tax Supported Capital Budget and Plan of $12.755 billion. The Rate Supported Capital Budget and Plan includes the Toronto Water Capital Budget and Plan of $8.628 billion, Solid Waste Management of $469 million, and the Toronto Parking Authority for $342 million.

Expenditure Categories and Funding Sources

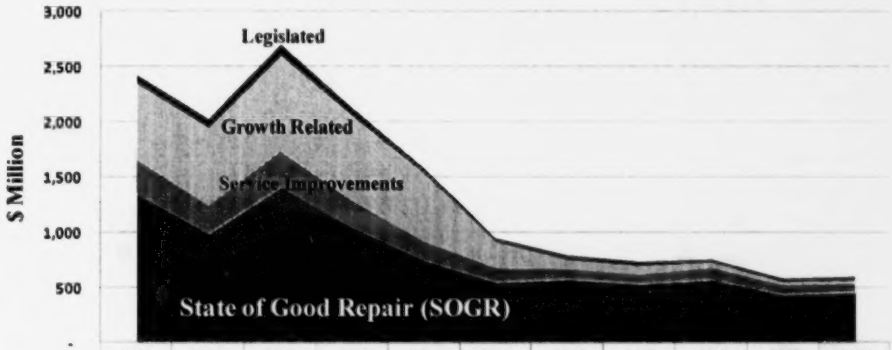
Capital projects included in the 2011 – 2020 Capital Budget and Plan are prioritized into five categories as shown in Table 3 below. Consistent with the 2011 Capital Budget directions and guidelines, the Capital Budget and Plan focuses on maintaining and rehabilitating existing infrastructure to deliver services to the citizens of Toronto. Table 3 shows that $7.755 billion or 61% of the 2011 – 2020 Capital Budget and Plan of $12.755 billion is allocated to Legislated, Health and Safety, and State of Good Repair (SOGR) projects. Alone, State of Good Repair expenditures represent 57% of all spending over the 2011 – 2020 period.

Table 3
2011 - 2020 Capital Budget & Plan by Category and Funding Source
Tax Supported Programs

	Capital Plan					2011-2015		2016- 2020		2011-2020	
Expenditures	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**	**%**	**Total**	**%**	**Total**	**%**
Health and Safety	21	22	24	24	30	121	1.3%	124	3.6%	244	1.9%
Legislated	58	76	44	17	3	198	2.1%	43	1.3%	241	1.9%
State of Good Repair	985	1,409	1,040	744	544	4,722	50.6%	2,548	74.5%	7,270	57.0%
Service Improvements	251	320	237	165	124	1,097	11.8%	421	12.3%	1,518	11.9%
Growth Related	701	866	770	619	240	3,195	34.2%	287	8.4%	3,482	27.3%
Total Expenditures	**2,016**	**2,693**	**2,115**	**1,569**	**941**	**9,333**	**100%**	**3,422**	**100%**	**12,755**	**100.0%**
Funded By:											
Provincial	350	496	385	233	80	1,545	16.6%	152	4.4%	1,697	13.3%
Federal	322	363	334	205	47	1,271	13.6%	9	0.3%	1,281	10.0%
Reserves	114	149	125	83	109	580	6.2%	461	13.5%	1,041	8.2%
Reserve Funds	101	59	21	15	14	208	2.2%	96	2.8%	304	2.4%
Capital from Current	181	199	219	241	265	1,103	11.8%	1,675	48.9%	2,778	21.8%
Development Charges	61	58	40	27	24	210	2.2%	100	2.9%	309	2.4%
Other	270	320	258	262	91	1,202	12.9%	135	4.0%	1,337	10.5%
Debt	618	1,049	733	503	311	3,214	34.4%	794	23.2%	4,008	31.4%
Total Funding	**2,016**	**2,693**	**2,115**	**1,569**	**941**	**9,333**	**100.0%**	**3,422**	**100.0%**	**12,755**	**100.0%**

The emphasis on protection and preservation of existing infrastructure continues throughout the ten-year term of the Capital Budget and Plan as graphically illustrated in Chart 1 below. Although planned spending on State of Good Repair decreases from $985 million in 2011 to $454 million in 2020, it is noted that as a percent of total annual expenditures, SOGR expenditures grow incrementally from 49% in 2011 to 77% in 2020.

Chart 1
2011 - 2020 Budget and Plan Expenditures by Category



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Legislated	53	58	76	44	17	3	18	7	6	7	6
Health & Safety	22	21	22	24	24	30	21	28	22	25	27
Growth Related	687	701	867	770	619	239	83	82	50	38	33
Service Improvement	308	252	320	237	165	124	90	79	104	77	70
SOGR	1,347	985	1,409	1,040	744	544	569	530	566	430	454

Despite the growing demand for investment in infrastructure maintenance in order to mitigate the SOGR backlog, the 10-Year Capital Plan allocates funding to address the need to also invest in essential service improvement and growth related projects to fulfil Council's strategic priorities, as well as to satisfy growth in service demand of a growing population. Investment in Service Improvement and Growth Related projects totals $952 million, or approximately 47% of all capital spending in the 2011 Capital Budget. The key driver of the approved 2011 project spending is for the ongoing construction of the Spadina Subway Extension project, requiring $510 million. The further investment of $4.048 billion or 38% of the 2012 – 2020 Capital Plan is allocated to Service Improvement and Growth Related projects, resulting in a total investment of $5.000 billion over the 10-year term of the Capital Budget and Plan.

Economic Stimulus Program

The 2011 - 2020 Council Approved Capital Budget and Plan includes capital projects that are cost-shared with the Federal and Provincial governments under the Infrastructure Stimulus Fund (ISF) and the Recreational Infrastructure Canada Program in Ontario and the Ontario REC (RInC-REC) programs.

As indicated in the September 30, 2010 Variance report, over 90% of infrastructure stimulus fund projects were scheduled for completion by the March 31, 2011 deadline imposed by the Federal and Provincial governments. On December 2, 2010, the Federal Government extended the deadline for completion of ISF – RInC projects by one full construction season, to October 31, 2011. This extension will enable the City to maximize the utilization of funds available under these programs.

2011 cash flow funding for Infrastructure Stimulus Fund capital projects totals $166.412 million of which $51.715 million will be funded by the Federal and Provincial governments. These projects will be closely monitored to ensure that they are completed on time and on budget.

Capital Financing

Financing for the City's 10-Year Council Approved Capital Budget and Plan is derived from various funding sources, both external and City-own sources with debt funding being the funding source of last resort. It is the City's goal to maximize all funding from external sources, including other orders of government, development charges and contributions, donations and reserve funding, prior to utilizing City-own sources: Capital from Current (CFC) and the issuance of debt.

The 2011 – 2020 Capital Budget and Plan will be financed by the following funding sources, as shown in Table 3 above:

- Federal ($1.281 billion) and Provincial ($1.697 billion) Grants and Subsidies provide $2.978 billion or 23.3% of total financing;

- Reserve Funding contributes $1.345 billion or 10.5%;
- Development Charges and other Funding (donations, contribution from developers and other Third Party funding) provide $1.646 billion or 12.9% of total funding;
- Capital from Current (CFC) contributions total $2.778 billion and represent 21.8% of total financing; and
- Debt funding totals $4.008 billion, providing 31.5% of total financing.

It should be noted that debt funding would otherwise rise by the equivalent amount without the Capital from Current contributions of $2.778 billion. Debt financing is also managed by limiting City's debt based on the City's affordability to fund debt servicing costs. As a result, debt targets are established for each City Program and Agency for each year of the 10-year capital planning period.

Debt Financing

Debt targets for the 2011-2020 Council Approved Capital Budget and Plan were established based on debt levels approved by Council for the 2010 – 2019 Capital Budget and Plan, with the addition of a debt target for 2020. The total debt target established for the 2011 - 2020 period is $4.212 billion, representing a decrease of $183 million over the debt target of $4.395 billion for the 2010 – 2019 period. As shown in Table 4 below, the City will retire and reissue debt totalling $2.648 billion during the 10 years 2011 – 2020 that will have no incremental impact on debt service costs. To stay within the City's debt affordability limits over the 10-year period, total new debt has been limited to $1.564 billion.

Table 4 shows that new debt will be required mainly to fund the TTC. Affordable debt target allocated to the TTC totals $2.442 billion (inclusive of $313 million for Spadina Subway), which exceeds the affordable new debt estimates of $1.564 billion by $878 million. In order not to exceed the affordable debt target, City Programs and other Agencies have had their debt funding needs reduced to offset the demands on new debt by the TTC. In effect, because of insufficient sustainable alternative capital funding sources, the City continues to make a disproportionate debt contribution to fund the TTC capital program.

Table 4
2011 - 2020 Capital Budget and Plan
Debt Target ($ Million)

	Council Approved	2011	2012	2013	2014	2015	2011 - 2015	2020 Debt / CFC Target
Baseline Debt (Retire / Reissue)	260	200	0	120	228	300	848	2,648
New Debt:								
TTC	331	567	654	330	209	165	1,925	2,442
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Total New Debt	**543**	**718**	**930**	**439**	**180**	**42**	**2,309**	**1,564**
Total Debt	**803**	**918**	**930**	**559**	**408**	**342**	**3,157**	**4,212**
Capital from Current (CFC	165	181	199	219	241	265	1,105	2,776
Total Debt & CFC	**968**	**1,099**	**1,129**	**778**	**649**	**607**	**4,262**	**6,988**

The 2011 Capital Budget is under the approved debt target by $300 million mainly due to TTC, which is $215 million under its debt target (as shown in Table 1, above). Similarly the debt required to finance the Capital Budget and Plan is under the affordable debt target by $202 million mainly due to the TTC which is $371 million under the 10-year debt target. It is noted that the TTC under-debt target amount of $371 million offsets the over-debt target amounts attributed to the following:

- 311 Toronto's 2012 - 2020 Capital Plan of $38.839 million requires new debt funding of $34.702 million to fund additional State of Good Repair needs including servers, hardware and software; and future system integration adding other City Divisions. No debt target was awarded to 311 Toronto because it was contemplated that capital projects would be financed by the Capital Financing Reserve;
- Long-Term Care Homes & Services is $28.117 million over its assigned affordability debt target of $81.567 million as a result of the legislated requirement to redevelop Kipling Acres. Once the Kipling Acres redevelopment project is completed and at full occupancy, Provincial subsidies to repay ongoing debt charges will be received;
- Facilities and Real Estate's 10-year Capital Budget and Plan is $30.651 million over debt target of $426.867 million primarily due to unplanned state of good repair projects for the West Yards; the installation of new backflow preventers for domestic cold water systems in order to comply with Municipal Code Chapter 851, Water Supply Bylaw; and the Global Security Program to address life cycle of critical components and to complete security threat risk assessments;
- Information and Technology's Capital Plan exceeded the target by $42.462 million mainly as a result of the change-in-scope requirements for the Consolidated Data Centre ($32.315 million); and

- Pan Am Games' debt funding for 2011-2014 has increased by $24.012 million from the $49.5 million approved in 2010 to a total of $73.512 million as a result of a capital cost escalation adjustment in the Multi-Party Agreement concerning the financing of the Games.

As noted above, only a 2011 Capital Budget and associated future year commitments was approved for the TTC.

TTC Debt Funding

For 2011, the Toronto Transit Commission submitted a 2011 - 2020 Capital Budget and Plan totalling $7.593 billion in expenditures, requiring $4.394 billion in debt funding from the City. This request exceeded the TTC 2011 – 2020 assigned debt target of $2.129 billion by $2.265 billion or 106% as illustrated in Table 5 below. This debt-funding request is well beyond the City's debt capacity, is not affordable and therefore has not been approved.

Table 5
TTC - 2011 to 2020 Captial Plan Submitted
Vs. 2011 Council Approved Capital Budget & Commitments

	2011 to 2020 Submitted Capital Plan	2011 Council Approved Budget & Commitments	Remainder of 2012 to 2020 Submitted Capital Plan
Gross Expenditure	7,593,365	3,180,921	4,412,444
Funding Sources:			
Provincial Subsidy	1,324,993	788,294	536,699
Federal Subsidy	1,591,788	538,142	1,053,646
Development Charges	54,009	39,161	14,848
Other	228,724	55,096	173,628
Total Funding before Debt	3,199,514	1,420,693	1,778,821
Required Debt	4,393,851	1,760,228	2,633,623
Debt Target	2,129,122	2,129,122	368,894
Debt Shortfall	**2,264,729**	**(368,894)**	**2,264,729**

In order to enable TTC to continue its capital works, pending a comprehensive review of its 10-year capital funding needs, Council approved a Capital Plan that limits spending to mostly continuing ongoing capital works and their future years' cash flow requirements. In effect, what is approved is a 2011 Capital Budget that sets out 2011 cash flow funding and associated future year cash flow funding commitments totalling $3.181 billion, requiring $1.760 billion in debt funding over the 10-year planning horizon. It is noted that no new project estimates for the period 2012 to 2020 are included in the 10-Year Capital Plan.

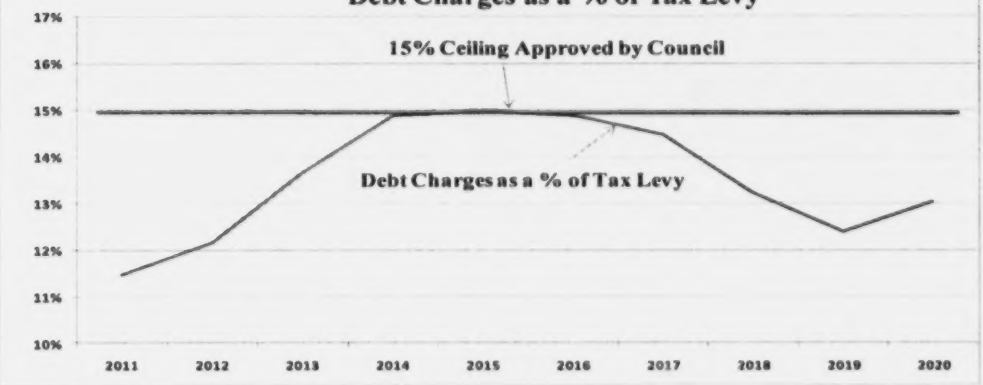
The debt funding of $1.760 billion provides 55% of the financing for the TTC, and is under the 10-year debt target by $369 million. Other major funding sources for the Capital Budget and future years' commitments include $788 million from the Federal government and $538 million from the Provincial government. Between them, the other orders of government will fund 42% of the TTC capital expenditures.

In order to fund the TTC's state of good repair projects, vehicle replacement and to accommodate expected growth to maintain existing service standards, it must work with the City to secure funding partnerships with the other orders of government. The Federal and Provincial governments must not only share in the cost of growing the system to meet future ridership needs but also in maintaining the existing system for existing riders.

Debt Service Ratio

At its meeting of June 27-29, 2006 (Policy and Finance Committee, Report 5, Clause 25) Council affirmed that the maximum limit of debt service charges as a percentage of total property tax be established at 15% as a benchmark for debt borrowing . The debt service charge ratio resulting from the 2011 – 2020 Council Approved Budget and Plan does not exceed the approved 15% debt service charge guideline as shown in Chart 2 below.

Chart 2
Debt Charges as a % of Tax Levy



The debt service ratio peaks in 2015 at 14.98%, primarily for TTC vehicle replacements, after which it declines to 12.37% in 2019 then increases to 13.03% in 2020 as the beneficial impact of

the debt restructuring program approved in 2010 ends as shown in Chart 2. The TTC submitted Capital Plan that has not been approved in this budget will likely put pressure on the debt repayment limit in the last few years of the forecast.

Authority to Issue Debentures During 2011

The proceeds from debentures to be issued under the authority granted by City Council will be used to finance capital expenditures that have been incurred or committed for approved projects. Authority of up to $900 million for City purposes was approved by Council in order to maintain flexibility and the ability to finance:

a. Capital expenditures that were previously approved but not yet permanently financed, and;

b. Debenture requirements as contained in the Council Approved 2011 – 2020 Capital Budget and Plan,

The Deputy City Manager & Chief Financial Officer confirms that borrowing $900 million to fund 2011 capital expenditures: (i) can be financed by the issuance of debentures with terms of up to 30 years; and, (ii) is within the City's updated Debt and Financial Obligation Limit. The Deputy City Manager & Chief Financial Officer further confirms that funds are available from the other funding sources identified in the Council Approved 2011 Capital Budget.

Incremental Operating Impacts

As part of the annual capital budget process, the incremental cost impact on the operating budget of each project over its useful life is estimated and evaluated. The objective of this evaluation is to ensure that all operating cost increases associated with the 10-Year Capital Budget and Plan are both accurate and affordable, and to factor these cost increases in the annual operating budget and forecasts. Similarly, incremental operating savings or revenues arising from the completion of capital projects are also captured.

Capital projects impact the operating budget in the following ways:

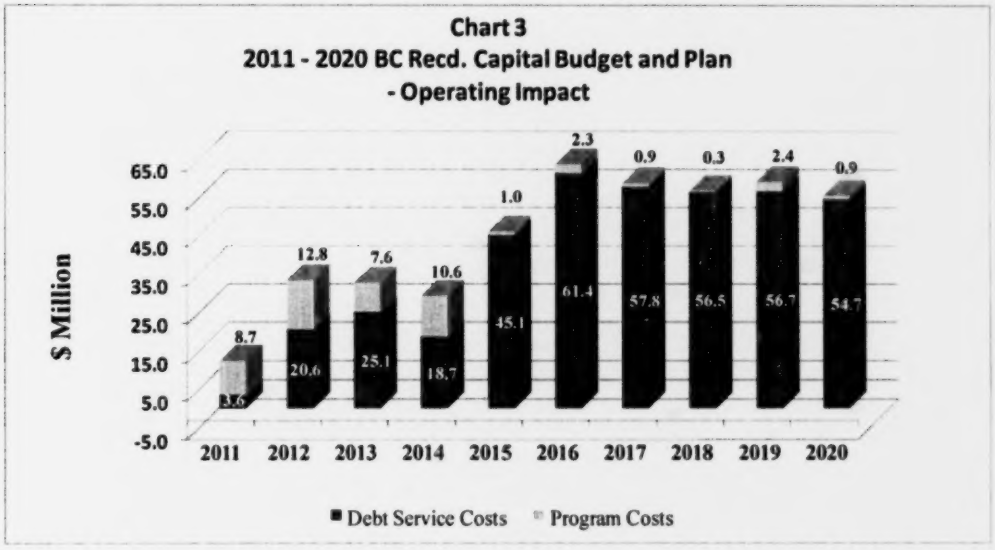
i. Principal repayment and interest payments on debt issued to finance the capital plan.

ii. Increased operating costs including ongoing maintenance and programming costs for new infrastructure, rehabilitated or expanded facilities.

iii. Efficiency savings from capital investments that reduce operating costs.

iv. Direct contributions from the Operating Fund to finance pay-as-you-go capital projects thereby reducing the annual borrowing requirements.

The incremental operating impact, including debt charges, of the 2011 – 2020 Council Approved Capital Budget and Plan on the Operating Budget totals $447.704 million over the 10-year period, see Chart 3. Incremental debt service charges of $400.232 million represent interest and principal repayment on new debt over the term of the 10-Year Capital Plan; and incremental net increases to City Program and Agency operating costs are estimated at $47.472 million. Program costs will be included in the operating budget of the appropriate City Programs and Agencies; while debt service costs will be included in the Capital and Corporate Financing account.



Council Approved Capital Budget and Plan

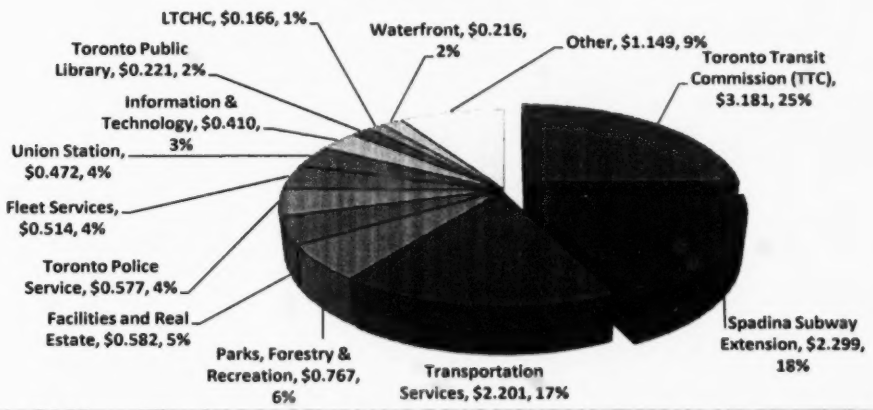
The 2011 – 2020 Council Approved Capital Budget and Plan satisfies Council's policy agenda, is fiscally responsible and focuses on infrastructure rehabilitation. It places priority on projects that protect the health and safety of citizens, meet legislated requirements, complete Federal and Provincial ISF and RInC-REC stimulus projects, and those that maintain the City's infrastructure in a state of good repair to support cost-effective service delivery. Balancing the extensive capital maintenance needs of the City's massive and aging infrastructure against demands for new investments to satisfy the service requirements of a growing community and emergent priorities continues to be a challenge. This is particularly difficult in the fiscally constrained environment that confronts the City. Nevertheless, the 2011 - 2020 Council Approved Capital Budget and Plan addresses these competing demands.

The 2011-2020 Budget and Plan achieves the following objectives:

- Focuses spending on maintaining and protecting the City's infrastructure in order to ensure that services demanded by the citizens of Toronto will be delivered in a sustainable manner in the long term.
- Gives priority to projects that maintain existing assets in a state of good repair.
- Manages debt to mitigate the debt service charge burden on Operating Budget.

The 2011 - 2020 Capital Budget and Plan totals $12.755 billion (excluding 2010 carry forward funding). Toronto Transit Commission (TTC) alone accounts for the majority of the expenditures in the 10-year capital-spending plan. This is despite the fact that only a 2011 Capital Budget and associated future year project commitments have been approved for the TTC. Inclusive of the Spadina Subway Extension project, the TTC 2011-2020 Capital Budget and Plan is $5.480 billion representing approximately 43% of the total approved spending in the 2011 – 2020 Capital Budget and Plan; and Transportation Services totals $2.201 billion or 17%. Together, TTC and Transportation Services account for almost three-quarters of the expenditures approved in the 2011 – 2020 Capital Budget and Plan (see Chart 4 below).

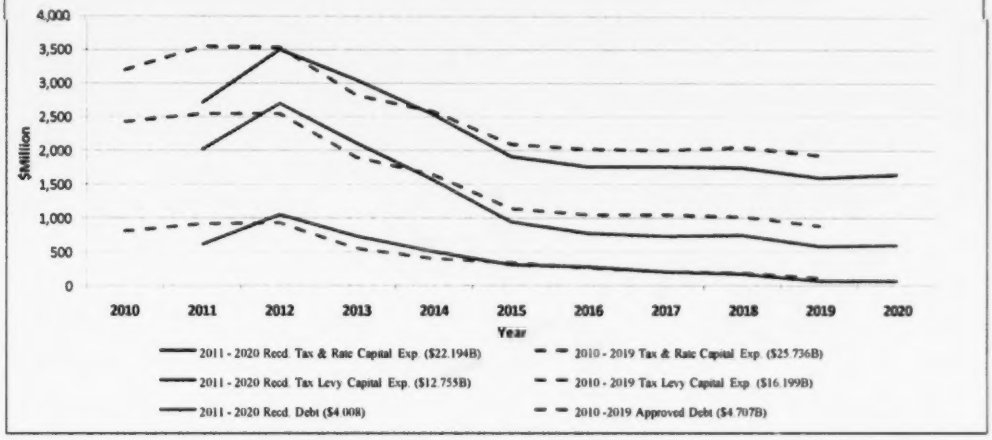
Chart 4
2011 - 2020 Council Aproved Captial Budget & Plan
$12.755 Billion


LTCHC, $0.166, 1%
Waterfront, $0.216, 2%
Other, $1.149, 9%
Toronto Transit Commission (TTC), $3.181, 25%
Toronto Public Library, $0.221, 2%
Information & Technology, $0.410, 3%
Union Station, $0.472, 4%
Fleet Services, $0.514, 4%
Toronto Police Service, $0.577, 4%
Facilities and Real Estate, $0.582, 5%
Parks, Forestry & Recreation, $0.767, 6%
Transportation Services, $2.201, 17%
Spadina Subway Extension, $2.299, 18%

Comparison of the 2010 – 2019 and 2011 – 2020 Capital Plans

Chart 5 compares the 2011 - 2020 Council Approved Tax Supported Capital Budget and Plan to the 2010 – 2019 Approved Capital Plan. It is noted that capital expenditures for the combined tax and rate supported Capital Budget and Plan follow the same pattern: expenditures peak in 2012 and then begin to drop in 2013.
Comparatively, total expenditures (inclusive of Rate Programs) decreased from $25.736 billion in 2010 – 2019, to $22.194 billion in 2011 – 2020.

Chart 5
How the 2010 - 2019 and 2011 - 2020 Capital Plans Compare



The 14% or $3.542 billion decline in capital expenditures over the 10-Year Capital Plan period is mainly due to a reduction in the 2011 – 2020 Tax Supported Capital Budget and Plan, which decreased by 21% from $16.199 billion to $12.755 billion or $3.444 billion. The primary reason for the decrease is the exclusion of TTC capital project estimates beyond current commitments, which were not affordable within established debt targets. Inclusion of these estimates would have increased the capital plan by a total of $4.412 billion and exceeded the affordable debt targets by $2.265 billion.

What is Being Built - Project Highlights

Listed below are key projects included in the 2011 – 2020 Tax Supported Capital Budget and Plan. These projects contribute toward fulfilling the City's priorities and on ensuring that the assets used to deliver services to the public are maintained. The projects highlighted below indicate major deliverables / outcomes, delivery date, total project cost and the 2011 approved cash flow funding.

Transportation and Transit

A priority of the capital budget and plan is to move people by transit and maintain the City's extensive road / transportation network in a state of good repair to move goods and people as efficiently as possible. The 2011 – 2020 Capital Budget and Plan will:

- Maintain 1,000 km of roads, 50 km of expressways, 600 km of sidewalks and 150 bridges and structures in a safe and hazard-free state (2011-2020 $1.409 billion).
- Purchase 420 new subway cars (70 train sets) to replace existing subway cars and increase capacity by 9% starting in 2011 (2011-2020 $426.222 million).
- Acquire 375 new buses to improve service by 2016 (2011-2020 $125.441 million).

- Purchase 204 low-floor, accessible Light Rail Vehicles to replace existing streetcar fleet (2011 – 2020 $1.0 billion).
- Design and redevelop Six Points Interchange to simplify the road network, create more attractive and safe environment for pedestrians and cyclists and improve access to the Kipling Subway Station (2015-2018 $40.548 million).
- Complete 80 km of off-street bicycle paths, 160 km of on-street signed routes, 340 bicycle lanes and 8,000 new bicycle parking spaces throughout the City (2011-2020 $86.506 million).
- Make progress on the Easier Access program to construct and enhance accessibility features, and to make the TTC fully accessible by 2025 (2011-2020 $91.415 million).
- Continue installation of state-of-the-art signalling systems on the Yonge- University-Spadina line to increase train capacity by allowing trains to run more frequently and closer together (2011 – 2020 $184.698 million).
- Continue to construct Union Station 2nd Platform (2011-2020 $51.114 million).

Public Safety and Emergency Services

Public safety and responsive emergency services are a major priority of the citizens of Toronto. To this end, the 2011-2020 Capital Budget and Plan will:

- Construct new Police Stations, including 11 Division by 2012, 14 Division by 2013, and a Property and Evidence Storage facility by 2014 (2011-2014 $50.244 million)
- Replace Radio Communication system shared by all 3 – Police, Fire and EMS staff (2011-2020 $36.061 million).
- Complete the construction of four ambulance stations by 2011 at Bathurst & York Downs, Chaplin Crescent, York-South Weston, and Pape Avenue (2011 $2.542 million).
- Continue construction of a new Fire Station D to improve emergency response times in Scarborough (2011-2012 $4.676 million).
- Upgrade Cardiac Monitor Defibrillators used by paramedics when responding to patients suffering a heart attack or cardiac arrest (2011 $1.080 million).
- Begin construction of the Chaplin Fire Station project to ensure emergency response times are supported while properly accommodating staff and vehicles (2011-2012 $4.934 million).
- Renovate Exhibition Place Fire Station to ensure emergency response times in the King St. West area (2011 $1.000 million).

Community and Recreation Services

The City offers programs and services that improve the quality of life of all its citizens and ensure opportunity for all. The 2011-2020 Capital Budget and Plan include projects that will:

- Begin the redevelopment of the remaining 145 beds at Kipling Acres on a new site in the vicinity of the existing site (2011-2020 $47.500 million).
- Continue the redevelopment of parkland such as Regent Park Phase 2 (2011 $5.977 million); Canada Arsenal (Marie Curtis) Park (2011-2012 $2.380 million); and Dogs Off-Lease Area Improvements (2011 $1.539 million).
- Continue the construction phase of the Toronto Reference Library revitalization (2011-2014 $19.099 million) and Brentwood District Library renovation (2011-2014 $6.702 million).
- Complete the Infrastructure Stimulus Fund (ISF) renovations at the North York Library Central branch (2011 $0.150 million); the Fairview Library branch (2011 $0.150 million); and the Toronto Reference Library (2011 $2.1 million).
- Continue planning work and start construction on two new library branches: Scarborough Centre (2011 $8.6178 million); Fort York/Bathurst (2011-2014 $8.697 million), and the renovation of Mount Dennis (2011-2014 $4.273 million).
- Complete the construction of five child care centres: St. Andrew, Thorncliffe and Chester Le located in high needs areas of the City; and the Regent Park Children's Hub as part of the Regent Park Revitalization project (2011 $3.572 million).
- Continue the construction of the Nelson Mandela Public School Renovation as part of the Regent Park Revitalization project (2011-2012 $3.017 million).
- Continue the demolition and redevelopment of 192 beds at Kipling Acres (2011-2013 $46.360 million).
- Construct various community centres namely York Community Centre (2011-2013 $27.462 million); and Regent Park Community Centre (2011-2012 $20.300 million).
- Replace the Regent Park Lord Dufferin Pool (2011 $12.592 million).
- Expand the Leaside Memorial Gardens Arena (2011-2012 $10.020 million).
- Maintain in a state of good repair the harbourfront, marine service & seawall (2011 $4.85 million) and special facilities building structures (2011 $2.275 million)
- Complete safety retrofits for Toronto Island Ferries (2011 $2.500 million)

Improve Customer Service

Residents will be provided with direct and simple access to City staff and services. The 2011-2020 Capital Budget and Plan will:

- Enhance the City's relationship with its 311 Customers by:
  - Implementing mobile application using smart phones;
  - Implementing an Instant Update Messaging System;
  - Integration of two additional divisions with 311; and

- Improving the City's Performance Tracking through enhanced Business Intelligence Reporting (2011 $6.942 million).

- Replace servers, hardware and software refreshes in 2012 to support the 311 technology solution, and continue to enhance the system to improve customer service for bill payment implementation and implementation of automated workflow management (2012-2020 $34.302 million).
- Complete the ChemTRAC web-based system to monitor and report 25 priority chemicals used and released by targeted industries and facilities (2011 $0.443 million).
- Continue with the next phase of the Healthy Environment Inspection System that includes DineSafe, meeting required provincial standards (2011-2012 $2.038 million).
- Implement Web Rebrand by redesigning TPH; Parks, Forestry and Recreation; and Economic Development and Culture websites and implementing content management software to automate the web posting process (2011 $4.646 million).

Public Spaces

The City is investing in public spaces that are developed and maintained in a clean and beautiful condition for the general community. The 2011 - 2020 Capital Budget and Plan will:

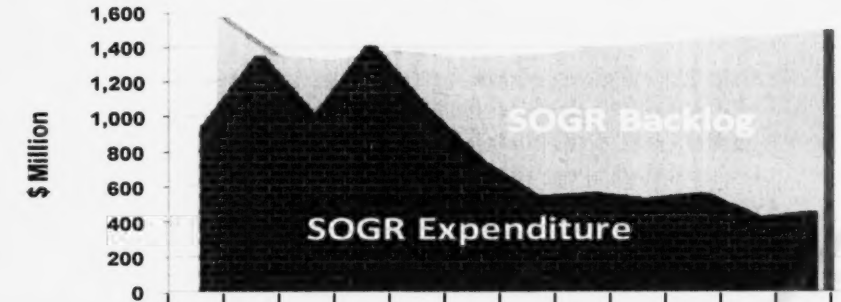
- Improve Public Spaces across the City as part of the Civic Improvement initiative (2011-2020 $28.079 million).
- Revitalize Nathan Phillips Square with modifications to meet functional requirements and to host a greater number and variety of public activities and special events (2011–2013 $25.105 million)
- Redevelop St. Lawrence Market North into a multi-purpose, multi-storey facility containing a public market at grade four levels of Provincial Offences Act traffic courts above grade, and three levels of parking below grade (2011–2014 $73.890 million).
- Continue to revitalize Union Station with improvements to its transportation and retail spaces (2011-2020 $562.983 million).
- Develop various waterfront sites including Tommy Thompson Park as well as dredging of the Keating Channel and Ashbridges Bay (2011-2020 $14.794 million).
- Construct Fort York Pedestrian/Cycling Bridge (2011 $14.998 million).
- Continue development of West Don Lands and East Bayfront precincts (2011-2020 $30.719 million).
- Improve BIA Streetscapes (2011 $5.172 million).
- Continue restoration of Casa Loma (2011-2012 $3.425 million).
- Continue construction of the new Visitors Centre at Fort York (2011-2012 $8.420 million).
- Continue infrastructure repairs and maintenance of the historical buildings at the Black Creek Pioneer Village and other TRCA facilities used by the public (2011-2020 $9.980 million).

State of Good Repair (SOGR) Backlog

Managing the accumulated SOGR backlog is a key capital policy objective and priority. The City's expansive infrastructure is aging which places a huge burden on its limited own-source resources to ensure that capital assets are kept in a state of good repair. Neglecting to maintain the infrastructure on a timely basis invariably leads to higher rehabilitation, restoration and replacement costs to taxpayers in the future.

As evident in Chart 6, SOGR backlog will change marginally between 2011 and 2015. Estimates indicate that the SOGR backlog will stabilize by 2020 at approximately $1.501 billion as SOGR spending increases from approximately 51% of total expenditures from 2011 – 2015 to 82% in 2016 to 2020. In part, the increase in SOGR backlog is predicated on the aging and growth in the City's infrastructure and capital assets, and the rising cost of maintenance because of inflation.

Chart 6
State of Good Repair Backlog



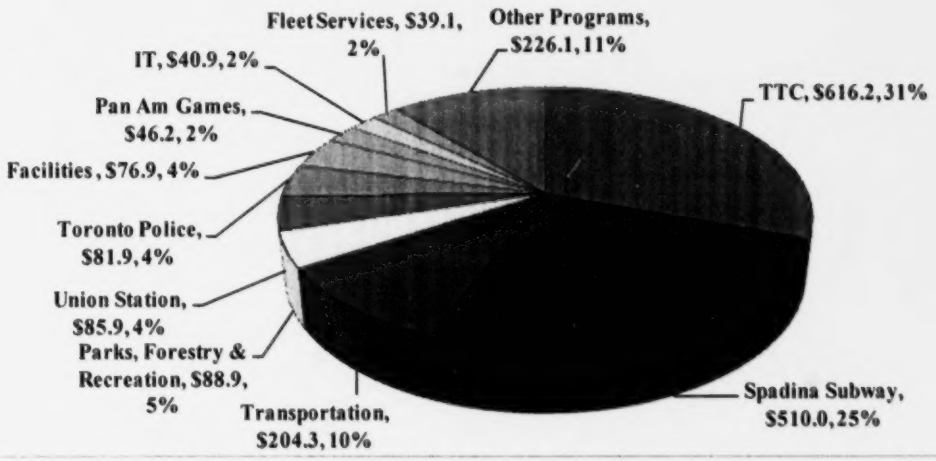
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
SOGR Exp.	937	1347	985	1409	1040	744	544	569	530	566	430	464
SOGR Backlog	1578	1351	1327	1380	1351	1366	1367	1407	1427	1465	1470	1501

To further reduce the state of good repair backlog, the City needs sustainable and predictable funding to invest in capital asset maintenance and replacement in order to restore its infrastructure to the desired state of good repair. New funding strategies must be pursued in order to reduce the burden on debt financing while achieving the desirable goal of fully addressing the SOGR backlog and growth-related infrastructure demands. A need exists to rationalize assets, seek opportunities to collocate similar services and reduce costs and explore possible best and highest uses of current City assets to help finance the capital program. It is noted that additional new debt issuance is not a tenable option as the City addresses its structural fiscal deficit. The City will continue ensure that the highest priority and most urgent capital maintenance projects are implemented and that risks of further deterioration of the existing infrastructure are mitigated.

2011 Council Approved Capital Budget by Major Program and Agency

Chart 7 below shows the 2011 Council Approved Budget of $2.016 billion by major Program and Agency. Capital spending for the TTC (inclusive of Spadina Subway Extension project) represents 56% of the total capital expenditures for 2011, followed by Transportation Services which accounts for 10%. The Revitalization of Union Station accounts for 4% of the 2011 Capital Budget which is primarily funded by Federal and Provincial sources which is to be completed by 2015.

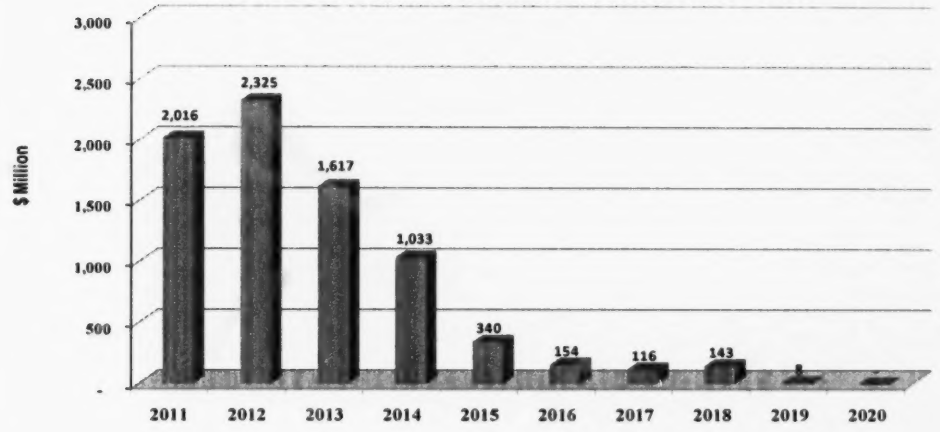
Chart 7
2011 Council Approved Capital Budget by Program & Agency
$2.016 Billion



2011 Council Approved Capital Budget and Future Year Commitments

The 2011 Capital Budget of $2.016 billion (excluding 2010 carry forward funding) will commit the City to future year cash flow funding of $2.325 billion in 2012; $1.617 billion in 2013; $1.033 billion in 2014; $340 million in 2015 and $421 million in 2016 and beyond for a total of $7.752 billion for multi-year projects (see Chart 8).

Chart 8
2011 Capital Budget and Future Year Committments
$ Million



2011 Council Approved Budget Including Carry Forward Funding

In accordance with the City's Carry Forward Funding Policy, financing to continue work on 2010 projects that were not completed as planned, require Council approval. A capital project with carry forward funding is a previously approved project for which approved capital work was not completed on schedule and the associated cash flow budget was not fully spent and / or committed in the year of approval. In these situations, the unspent amount, or a portion thereof, will be required in future years to complete the project and is carried forward to the following year and added to the new cash flow estimates.

The cash flow requirement for 2010 capital projects that were not completed as planned and for which work must continue in 2011 totals $707 million which is carried forward into 2011. As a result, the 2011 cash flow funding totals $2.723 billion, comprised of funding for the following: 2010 carry forward projects of $707 million; new and change in scope projects of $480 million; and, previously approved projects of $1.536 billion. See Table 6 below.

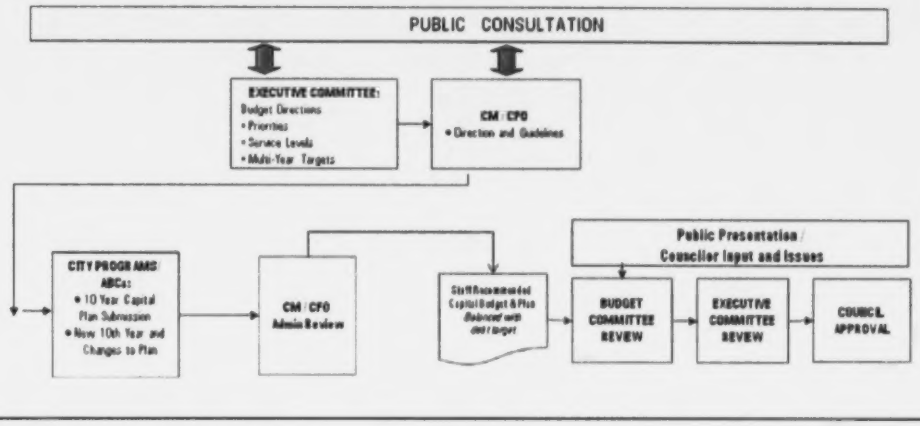
Table 6 2011 Council Approved Cash Flow - Including 2010 Carry Forward Funding ($ Millions)						
Programs / ABCs	2010 Council Approved Cash Flow	2011 BC Recommended Cash Flow				
		2010 Carry Forward Funding	2011 Capital Budget			Total 2011 Cash Flow
			New and Change in Scope	Previously Approved Projects	2011 Capital Budget	
Citizen Centred Services 'A'	241	55	96	81	177	232
Citizen Centred Services 'B'	457	170	109	131	240	410
Internal Services	216	53	73	90	164	217
Other City Programs	206	144	40	113	153	297
TTC	203	15	87	69	157	172
Total City Operations Before TTC	**1,323**	**437**	**405**	**485**	**890**	**1,327**
Toronto Transit Commission (TTC)	1,515	270	75	1,051	1,126	1,396
Total - Tax Supported Program	**2,838**	**707**	**480**	**1,536**	**2,017**	**2,723**

The 2011 Capital Budget Process

Chart 9 illustrates the City of Toronto's Capital Budget Process. The 10-Year Capital Plan details capital projects required to support the delivery of services and for the citizens of Toronto over a 10-year period, and shows how these projects will be funded. In accordance with the City's long-term fiscal planning framework, and strategic directions, a firm 2011 – 2020 Capital Budget and Plan will be submitted to City Council for approval. The first year of the capital plan represents the capital budget. The remaining 9 years constitute the framework for developing future year capital budgets. Key elements of this Capital Budget process include the following:

- The Executive Committee and the Mayor establish priorities and provides upfront directions and guidelines which set the framework for staff to develop a balanced capital budget and plan that implement Council's strategic policy agenda; aligns resources to priorities; is based on sound financial management principles; and, meets prescribed budgetary targets.
- The City Manager, and Deputy Manager and Chief Financial Officer provide administrative directions and guidelines that complement that Executive Committee and Mayor priorities. As part of the guidelines, they forecast and allocate affordable debt targets to individual City Programs and Agencies based on approved policies and funding needs.
- The City Manager and the Deputy City Manager and Chief Financial Officer review capital submissions of City Programs and Agencies to ensure compliance with budget policies, Council directions and priorities and that the proposed projects within the multi-year Capital Plan have merit, are cost effective and are ready to proceed within annual debt limits.

Chart 9
2011 Capital Budget Process



- The Budget Committee performs detailed reviews of individual City Programs and Agencies' capital budgets and plans to confirm that Executive Committee's guidelines and directions are met.
- On behalf of the Executive Committee, the Budget Committee holds formal meetings to hear public deputations and to receive input from Councillors on issues they may raise, and where warranted, recommends amendments to the staff recommended Capital Budget and Plan.
- The Budget Committee recommends a 10-Year Capital Budget and Plan to the Executive Committee. At a minimum, the 10-Year Capital Budget and Plan must strategically align resources to Council and the Mayor's priorities; highlight expected results and outcomes; and confirm recommended financial strategies, particularly the need to meet annual debt affordability limits.
- The Executive Committee considers the Budget Committee Recommended Capital Budget and Plan to ensure that the Committee has addressed major fiscal and policy issues and confirms the budget as a strategic financial plan that will implement Council policies and priorities, and meet community service demands.
- On behalf of the Executive Committee, the Mayor presents the 10-Year Capital Budget and Plan to City Council for approval.

To maintain the integrity of the 10-Year Capital Budget and Plan, projects are firmly placed in the year in which they will be implemented or developed. Moreover, as a policy and accountability requirement, approved capital investment and funding plans cannot be changed without explicit approval by Council. It is noted that some flexibility is provided by permitting acceleration or deferral of projects but only with the approval of Council. Furthermore, funding associated with acceleration or deferral of specific project(s) in any year, must be fully offset by shifting another project or projects with equal value to ensure a neutral impact on debt annually.

City Manager and Deputy City Manager & Chief Financial Officer Review

To ensure compliance with directions, guidelines, and affordable debt targets, the City Manager (CM) and Deputy City Manager and Chief Financial Officer (DCM & CFO) reviewed the capital submissions from City Programs and Agencies and recommended a 2011-2020 Capital Budget and Plan to the Budget Committee. The CM and DCM & CFO reviews focused on the following:

- Ensuring that the capital budget and plan is affordable and finances highest priority projects on a citywide basis.
- Allocation of available funds in the following priority order:
  - Previously approved projects already in progress, with focus on those with partnership/other government funding
  - Health and Safety, Legislated and State of Good Repair (SOGR) projects
  - Service Improvement and Growth projects
- Ensuring that the proposed projects included in the Staff Recommended 10–Year Capital Plan are based on project readiness, spending capacity, and achieves a balance between maintaining existing City assets in a state of good repair while addressing service gaps and priorities on a City-wide basis.
- Limiting debt use to fund long-term capital improvements and reduce the City's reliance on debt; and ensuring that assigned debt affordability targets were met and where required, taking appropriate corrective action.
- Ensuring that available resources are utilized to mitigate SOGR backlog and to minimize risks associated with delayed maintenance of the City's aging infrastructure.
- Evaluating assumptions and rationale used to confirm that projects included in the Capital Plan satisfy key Council priorities; and the extent to which needs analysis, effective scheduling, and ability to spend were factors influencing project prioritization.
- Ensuring that cost-sharing partnerships were explored in order to leverage capital program spending.
- Assuring that challenges and risks to effective and sustainable delivery of services and service levels were appropriately addressed.
- Evaluating operating impacts of projects to ensure reasonableness and that the operating budget is not unduly burdened.

In general, the 2011 – 2020 Capital Budget and Plan submissions complied with guidelines, focussed on maintaining existing infrastructure, and included moderate strategic investments in service improvement and expansion projects in order to satisfy growth demands without compromising the health and safety of the public. As a direct result of significant investments in capital infrastructure, the SOGR backlog will increase marginally and stabilize by 2020. The increase is driven in part by the growing size of the City's infrastructure and capital assets, and inflationary impact on maintenance and remediation costs.

Capital Budget Polices

Carry Forward of Previously Approved Project Funding – A capital project with carry forward funding is a previously approved project for which the associated cash flow budget was not fully spent and/or committed in the year of approval. Consequently, City Programs and ABCs may request that the unspent amount be 'carried forward' into the future to complete the project. The City's carry forward policy stipulates that unspent cash flow funding for capital projects/sub-projects may only be carried forward one year subsequent to the year of approval, and that the carry forward cash flow amount cannot exceed the difference between actual expenditures and the approved cash flow.

Carry forward funding will not be granted, if a project/sub-project requires carry forward funding beyond one year, or a change in cash flows and/or project costs change the scope of a project. Alternatively, such requests will be treated as new funding requests for the upcoming budget.

Capital Expenditures – Capital expenditures generally include any expenditure on an asset acquired, constructed or developed with the intention of being used beyond the current budget year. Capital expenditures also include major improvements, which alter or modernize an asset in order to substantially prolong its useful life or improve its physical output or service capacity.

Debt Financing – Debt will be used for the acquisition, construction, renovation, repair or remodelling of capital assets where the project cannot be funded from current operating revenues or other funding sources, and the Chief Financial Officer considers it prudent to use debt to finance the project. As a general rule, projects funded with debt must have a useful life that is at least equal to the term of the debenture.

Debt Service Ratio – Council affirmed that the maximum limit of debt service charges as a percentage of total property tax be established at 15% as a benchmark for evaluating capital expenditure levels. The debt charges incurred due to debt issuance will be included in the annual operating budget.

Financing Sources – Financing sources of a particular project will be explored and properly identified to considering debenture financing. Typical funding sources includes reserves and reserve funds, Provincial and Federal grants, development charges, capital from current funding (or pay-as-you-go financing), debt, and other funding sources such as donations.

Land Acquisition Costs – Every proposed capital project requiring the acquisition of land shall be accompanied by a cost estimate for the real estate acquisition portion of the project. Every proposed capital project requiring the assignment of City-owned lands shall be accompanied by a valuation of the opportunity cost of that land according to procedures of the Property Management Committee.

Reserves/Reserve Funds – A reserve is an allocation of accumulated net revenue that is a part of the revenue fund and, thus, does not earn interest on its own. In addition, reserves make no reference to any specific asset and do not require the physical segregation of money or

assets. It is distinct from a reserve fund, which earns interest, and is segregated and restricted to meet a specified purpose. The use and funding sources of reserves/reserve funds are determined by the City's CFO, in consultation with beneficiary programs. Moreover, the CFO shall report to the Policy and Finance Committee on the inflows to and outflows from each reserve/reserve fund on a quarterly basis.

Project Funded by Capital from Current Funding (CFC) – CFC is a provision of tax funding that is transferred from the Current/Operating Fund to the Capital Fund in order to finance capital projects on a pay-as-you-go basis. This financing option reduces reliance on debt issuance and provides a financing mechanism for ongoing capital needs of assets that have a shorter life cycle. The Financial Planning Division allocates CFC funding for capital projects that satisfy one or more of the following eligibility criteria:

a. studies, structure audits and planning related to capital projects;

b. one year stand-alone state of good repair projects;

c. IT projects including equipment and software; and/or

d. capital projects to acquire, develop or better capital assets that are not directly owned by the City. This includes capital projects under certain community development arrangement including BIA projects, Commercial Façade programs and GO Transit.

Capital projects funded from CFC must be scheduled for completion within the budget year in which they are approved.